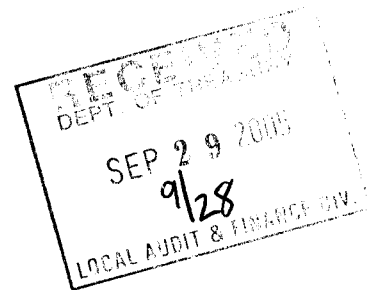


TOWNSHIP OF BOWNE
Kent County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005



AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Bowne	County Kent
Audit Date March 31, 2005	Opinion Date May 18, 2005	Date Accountant Report Submitted to State: September 26, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686			
City Bay City	State MI	Zip 48707	
Accountant Signature Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF BOWNE
Kent County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100
P.O. BOX 686
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040
FAX (989) 894-5494

May 18, 2005

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Township of Bowne
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Bowne, Kent County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bowne's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Bowne, Kent County, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF BOWNE
Kent County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Bowne covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$3,423,868.47 for governmental activities and \$820,101.75 for business activities. Overall total capital assets remained approximately the same.

Overall revenues were \$595,195.59 from governmental activities and \$172,498.23 from business-type activities. Governmental activities had a \$35,728.66 increase in net assets. Business-type activities had an increase in net assets of \$6,385.93 which included \$19,008.41 in depreciation.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Fire Fund, Downtown Development Fund, Capital Improvement Fund, Sewer Fund, Agency Fund and the Current Tax Collection Fund.

TOWNSHIP OF BOWNE
Kent County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund, Downtown Development Fund and the Capital Improvement Fund.

Business-Type Funds: The Township has a Sewer Fund which includes the activity of providing sewer services to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

Our external debt has 28 years left at approximately \$30,000.00 per year for the upgrade expansion of the sewer system.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$405,849.81. The Sewer Fund incurred \$19,008.41 in depreciation expense and \$120,040.10 in other operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$39,897.43 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$10,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-868-6846 or at the Bowne Township Office, 8240 Alden Nash SE., P.O. Box 35, Alto, Michigan 49302-0035.

TOWNSHIP OF BOWNE
Kent County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	1 619 115 39	286 874 77	1 905 990 16
Taxes receivable	<u>21 831 20</u>	<u>-</u>	<u>21 831 20</u>
Total Current Assets	<u>1 640 946 59</u>	<u>286 874 77</u>	<u>1 927 821 36</u>
NON-CURRENT ASSETS:			
Capital Assets	2 234 466 00	1 170 252 21	3 404 718 21
Less: Accumulated Depreciation	<u>(441 544 12)</u>	<u>(57 025 23)</u>	<u>(498 569 35)</u>
Total Non-current Assets	<u>1 792 921 88</u>	<u>1 113 226 98</u>	<u>2 906 148 86</u>
TOTAL ASSETS	<u><u>3 433 868 47</u></u>	<u><u>1 400 101 75</u></u>	<u><u>4 833 970 22</u></u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>10 000 00</u>	<u>-</u>	<u>10 000 00</u>
Total Current Liabilities	<u>10 000 00</u>	<u>-</u>	<u>10 000 00</u>
NON-CURRENT LIABILITIES:			
Bonds payable	<u>-</u>	<u>580 000 00</u>	<u>580 000 00</u>
Total Non-current Liabilities	<u>-</u>	<u>580 000 00</u>	<u>580 000 00</u>
Total Liabilities	<u>10 000 00</u>	<u>580 000 00</u>	<u>590 000 00</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1 792 921 88	533 226 98	2 326 148 86
Unrestricted	<u>1 630 946 59</u>	<u>286 874 77</u>	<u>1 917 821 36</u>
Total Net Assets	<u>3 423 868 47</u>	<u>820 101 75</u>	<u>4 243 970 22</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3 433 868 47</u></u>	<u><u>1 400 101 75</u></u>	<u><u>4 833 970 22</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Charges for Services</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	6 259 93	-		(6 259 93)
General government	317 972 73	43 920 44		(274 052 29)
Public safety	153 845 45	46 211 16		(107 634 29)
Public works	68 650 14	5 472 00		(63 178 14)
Recreation and culture	12 738 68	-		(12 738 68)
Total Governmental Activities	<u>559 466 93</u>	<u>95 603 60</u>		<u>(463 863 33)</u>
Business-Type Activities:				
Sewer	166 112 30	169 854 26		-
Total Business-Type Activities	<u>166 112 30</u>	<u>169 854 26</u>		-
Total Government	<u><u>725 579 23</u></u>	<u><u>265 457 86</u></u>		<u>(463 863 33)</u>
General Revenues:				
Property taxes				280 307 52
State revenue sharing				186 779 00
Interest				17 773 35
Miscellaneous				14 732 12
Total General Revenues				<u>499 591 99</u>
Change in net assets				35 728 66
Net assets, beginning of year				<u>3 388 139 81</u>
Net Assets, End of Year				<u><u>3 423 868 47</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(6 259 93)
-	(274 052 29)
-	(107 634 29)
-	(63 178 14)
-	(12 738 68)
-	(463 863 33)
<u>3 741 96</u>	<u>3 741 96</u>
<u>3 741 96</u>	<u>3 741 96</u>
<u>3 741 96</u>	<u>(460 121 37)</u>
-	280 307 52
-	186 779 00
2 643 97	20 417 32
-	14 732 12
<u>2 643 97</u>	<u>502 235 96</u>
6 385 93	42 114 59
<u>813 715 82</u>	<u>4 201 855 63</u>
<u>820 101 75</u>	<u>4 243 970 22</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Fire Operating</u>	<u>Downtown Development</u>	<u>Other Funds</u>
Cash in bank	744 229 05	416 620 15	363 581 72	81 270 25
Taxes receivable	21 831 20	-	-	-
Due from other funds	15 914 22	-	-	-
Total Assets	<u>781 974 47</u>	<u>416 620 15</u>	<u>363 581 72</u>	<u>81 270 25</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	10 000 00	-	-	-
Due to other funds	-	2 500 00	-	-
Total liabilities	<u>10 000 00</u>	<u>2 500 00</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	771 974 47	414 120 15	363 581 72	81 270 25
Total fund equity	<u>771 974 47</u>	<u>414 120 15</u>	<u>363 581 72</u>	<u>81 270 25</u>
Total Liabilities and Fund Equity	<u>781 974 47</u>	<u>416 620 15</u>	<u>363 581 72</u>	<u>81 270 25</u>

The accompanying notes are an integral part of these financial statements.

Total

1 605 701 17

21 831 20

15 914 22

1 643 446 59

10 000 00

2 500 00

12 500 00

1 630 946 59

1 630 946 59

1 643 446 59

TOWNSHIP OF BOWNE
Kent County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 630 946 59
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	2 234 466 00
Accumulated depreciation	<u>(441 544 12)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>3 423 868 47</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Downtown Development</u>	<u>Other Funds</u>
Revenues:				
Property taxes	82 425 35	158 197 47	39 684 70	-
Licenses and permits	24 662 00	-	-	-
State revenue sharing	186 779 00	-	-	-
Charges for services:				
Fire runs	-	21 549 16	-	-
Tax collection	29 502 05	-	-	-
Other	14 418 39	-	-	-
Interest	10 876 77	2 885 71	-	-
Rent	-	-	3 276 76	734 11
Miscellaneous	-	-	5 472 00	-
	<u>14 618 10</u>	<u>114 02</u>	<u>-</u>	<u>-</u>
Total revenues	<u>363 281 66</u>	<u>182 746 36</u>	<u>48 433 46</u>	<u>734 11</u>
Expenditures:				
Legislative:				
Township Board	6 259 93	-	-	-
General government:				
Supervisor	19 966 93	-	-	-
Elections	5 727 95	-	-	-
Assessor	20 000 00	-	-	-
Professional services	59 976 54	-	-	-
Clerk	26 525 48	-	-	-
Board of Review	825 00	-	-	-
Treasurer	24 361 32	-	-	-
Building and grounds	94 772 61	-	-	-
Cemetery	11 696 31	-	-	-
Unallocated	52 777 08	-	-	-
Public safety:				
Fire protection	-	120 103 62	-	-
Protective inspection	25 088 00	-	-	-
Planning Commission	2 055 00	-	-	-
Public works:				
Highways and streets	41 212 86	-	-	-
Street lighting	2 282 79	-	-	-
Downtown development	-	-	-	-
Culture and recreation:				
Library	12 322 01	-	24 952 20	-
Capital outlay	-	-	-	-
	<u>-</u>	<u>27 840 00</u>	<u>-</u>	<u>12 057 43</u>
Total expenditures	<u>405 849 81</u>	<u>147 943 62</u>	<u>24 952 20</u>	<u>12 057 43</u>
Excess (deficiency) of revenues over expenditures	<u>(42 568 15)</u>	<u>34 802 74</u>	<u>23 481 26</u>	<u>(11 323 32)</u>
Other financing sources (uses):				
Operating transfers in	-	36 160 00	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>36 160 00</u>	<u>-</u>	<u>(36 160 00)</u>
				<u>(36 160 00)</u>

The accompanying notes are an integral part of these financial statements.

Total

280 307 52
24 662 00
186 779 00

21 549 16
29 502 05
14 418 39
17 773 35
5 472 00
14 732 12

595 195 59

6 259 93

19 966 93
5 727 95
20 000 00
59 976 54
26 525 48
825 00
24 361 32
94 772 61
11 696 31
52 777 08

120 103 62
25 088 00
2 055 00

41 212 86
2 282 79
24 952 20

12 322 01
39 897 43

590 803 06

4 392 53

36 160 00
(36 160 00)

-

TOWNSHIP OF BOWNE
Kent County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Downtown Development</u>	<u>Other Funds</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(42 568 15)	70 962 74	23 481 26	(47 483 32)
Fund balances, April 1	<u>814 542 62</u>	<u>343 157 41</u>	<u>340 100 46</u>	<u>128 753 57</u>
Fund Balances, March 31	<u><u>771 974 47</u></u>	<u><u>414 120 15</u></u>	<u><u>363 581 72</u></u>	<u><u>81 270 25</u></u>

The accompanying notes are an integral part of these financial statements.

Total

4 392 53

1 626 554 06

1 630 946 59

TOWNSHIP OF BOWNE
Kent County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 4 392 53

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(8 561 30)
Capital Outlay	<u>39 897 43</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>35 728 66</u></u>
---	-------------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
March 31, 2005

	Total (Sewer)
ASSETS:	
CURRENT ASSETS:	
Cash in bank	
	<u>286 874 77</u>
Total Current Assets	<u>286 874 77</u>
NON-CURRENT ASSETS:	
Capital Assets	
Less: Accumulated Depreciation	<u>1 170 252 21</u>
	<u>(57 025 23)</u>
Total Non-current Assets	<u>1 113 226 98</u>
TOTAL ASSETS	<u>1 400 101 75</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
NON-CURRENT LIABILITIES:	
Bonds payable	
	<u>580 000 00</u>
Total Liabilities	<u>580 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	
Unrestricted	<u>533 226 98</u>
	<u>286 874 77</u>
Total Net Assets	<u>820 101 75</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 400 101 75</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	<u>Total (Sewer)</u>
OPERATING REVENUES:	
Charges for services	169 584 09
Miscellaneous	<u>270 17</u>
Total Operating Revenues	<u>169 854 26</u>
OPERATING EXPENSES:	
Wages	7 744 25
Contracted services	105 331 92
Utilities	<u>6 963 96</u>
Total Operating Expenses	<u>120 040 13</u>
Operating Income (loss) before depreciation	49 814 13
Less: depreciation	<u>(19 008 41)</u>
Operating income (loss)	<u>30 805 72</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	2 643 97
Interest expense	<u>(27 063 76)</u>
Total Non-operating Expenses	<u>(24 419 79)</u>
Change in net assets	6 385 93
Net assets, beginning of year	<u>813 715 82</u>
Net Assets, End of Year	<u><u>820 101 75</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended March 31, 2005

	Total (Sewer)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	169 854 26
Cash payments to suppliers for goods and services	(112 295 88)
Cash payments to employees for services	(7 744 25)
Net cash provided (used) by operating activities	49 814 13
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on bonds	(10 000 00)
Interest paid on bonds	(27 063 76)
Net cash provided (used) by capital and related financing activities	(37 063 76)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	2 643 97
Net cash provided (used) by investing activities	2 643 97
Net increase (decrease) in cash	15 394 34
Cash beginning of year	271 480 43
Cash End of Year	286 874 77
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	30 805 72
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	19 008 41
Net Cash Provided (Used) in Operating Activities	49 814 13

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bowne, Kent County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bowne. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Improvement Fund

This fund is used to account for the acquisition or construction of major capital facilities.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14. The 2004 tax roll millage rate was 2.6075 mills, and the taxable value was \$93,854,367.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements
Equipment

50 years
5-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$1,792,921.88.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 905 990 16</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	236 628 68
Uninsured and Uncollateralized	<u>1 669 361 48</u>
Total Deposits	<u>1 905 990 16</u>

The Township of Bowne did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	121 014 37	12 057 43	-	133 071 80
Buildings	1 052 573 80	-	-	1 052 573 80
Equipment	<u>1 020 980 40</u>	<u>27 840 00</u>	<u>-</u>	<u>1 048 820 40</u>
Total	2 194 568 57	39 897 43	-	2 234 466 00
Accumulated Depreciation	<u>(432 982 82)</u>	<u>(8 561 30)</u>	<u>-</u>	<u>(441 544 12)</u>
Net Governmental Capital Assets	<u>1 761 585 75</u>	<u>31 336 13</u>	<u>-</u>	<u>1 792 921 88</u>
<u>Business-Type Activities:</u>				
Sewer System	1 170 252 21	-	-	1 170 252 21
Accumulated Depreciation	<u>(38 016 82)</u>	<u>(19 008 41)</u>	<u>-</u>	<u>(57 025 23)</u>
Net Business-Type Capital Assets	<u>1 132 235 39</u>	<u>(19 008 41)</u>	<u>-</u>	<u>1 113 226 98</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all Township Board members. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2005, was \$32,157.70.

Note 7 – Bonds Payable

On July 1, 2002, the Township issued \$600,000.00 in bonds to finance a sewer system upgrade. As of March 31, 2005, the principal balance outstanding was \$580,000.00 and it is recorded in the Sewer Fund.

<u>Due April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
11-1-05	10 000 00	2.600
11-1-06	10 000 00	3.000
11-1-07	15 000 00	3.125
11-1-08	15 000 00	3.375
11-1-09	15 000 00	3.600
11-1-10	15 000 00	4.000
11-1-11	15 000 00	4.000
11-1-12	15 000 00	4.000
11-1-13	15 000 00	4.125
11-1-14	15 000 00	4.300
11-1-15	20 000 00	4.500
11-1-16	20 000 00	4.500
11-1-17	20 000 00	4.625
11-1-18	20 000 00	4.750
11-1-19	20 000 00	5.000
11-1-20	20 000 00	5.000
11-1-21	25 000 00	5.000
11-1-22	25 000 00	5.000
11-1-23	25 000 00	5.000
11-1-24	35 000 00	5.000
11-1-25	35 000 00	5.000
11-1-26	40 000 00	5.000
11-1-27	40 000 00	5.000
11-1-28	45 000 00	5.000
11-1-29	50 000 00	5.000
Total	<u>580 000 00</u>	

Note 8 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Sewer Bonds	<u>590 000 00</u>	<u>-</u>	<u>10 000 00</u>	<u>580 000 00</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$24,662.00 and building permit expenses of \$25,088.00.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	13 414 22	Current Tax Collection	13 414 22
General	<u>2 500 00</u>	Fire	<u>2 500 00</u>
Total	<u>15 914 22</u>	Total	<u>15 914 22</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	105 000 00	105 000 00	82 425 35	(22 574 65)
Licenses and permits	30 000 00	30 000 00	24 662 00	(5 338 00)
State revenue sharing	195 000 00	195 000 00	186 779 00	(8 221 00)
Charges for services:				
Tax collection	28 000 00	28 000 00	29 502 05	1 502 05
Other	-	-	14 418 39	14 418 39
Interest	5 000 00	5 000 00	10 876 77	5 876 77
Miscellaneous	2 500 00	2 500 00	14 618 10	12 118 10
Total revenues	<u>365 500 00</u>	<u>365 500 00</u>	<u>363 281 66</u>	<u>(2 218 34)</u>
Expenditures:				
Legislative:				
Township Board	20 000 00	20 000 00	6 259 93	(13 740 07)
General government:				
Supervisor	19 966 93	19 966 93	19 966 93	-
Elections	6 000 00	6 000 00	5 727 95	(272 05)
Assessor	20 000 00	20 000 00	20 000 00	-
Professional services	60 000 00	60 000 00	59 976 54	(23 46)
Clerk	26 525 48	26 525 48	26 525 48	-
Board of Review	1 000 00	1 000 00	825 00	(175 00)
Treasurer	24 361 32	24 361 32	24 361 32	-
Building and grounds	100 000 00	100 000 00	94 772 61	(5 227 39)
Cemetery	15 000 00	15 000 00	11 696 31	(3 303 69)
Unallocated	80 400 00	80 400 00	52 777 08	(27 622 92)
Public safety:				
Protective inspection	26 000 00	26 000 00	25 088 00	(912 00)
Planning Commission	2 100 00	2 100 00	2 055 00	(45 00)
Public works:				
Highways and streets	85 000 00	85 000 00	41 212 86	(43 787 14)
Street lighting	3 500 00	3 500 00	2 282 79	(1 217 21)
Culture and recreation:				
Library	13 000 00	13 000 00	12 322 01	(677 99)
Total expenditures	<u>502 853 73</u>	<u>502 853 73</u>	<u>405 849 81</u>	<u>(97 003 92)</u>
Excess (deficiency) of revenues over expenditures	(137 353 73)	(137 353 73)	(42 568 15)	94 785 58
Fund balance, April 1	<u>775 857 56</u>	<u>775 857 56</u>	<u>814 542 62</u>	<u>38 685 06</u>
Fund Balance, March 31	<u>638 503 83</u>	<u>638 503 83</u>	<u>771 974 47</u>	<u>133 470 64</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE - FIRE OPERATING FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	114 000 00	114 000 00	158 197 47	44 197 47
Charges for services	25 000 00	25 000 00	21 549 16	(3 450 84)
Interest	3 500 00	3 500 00	2 885 71	(614 29)
Miscellaneous	1 000 00	1 000 00	114 02	(885 98)
Total revenues	<u>143 500 00</u>	<u>143 500 00</u>	<u>182 746 36</u>	<u>39 246 36</u>
Expenditures:				
Public safety:				
Fire protection	145 000 00	145 000 00	120 103 62	(24 896 38)
Capital outlay	<u>30 000 00</u>	<u>30 000 00</u>	<u>27 840 00</u>	<u>(2 160 00)</u>
Total expenditures	<u>175 000 00</u>	<u>175 000 00</u>	<u>147 943 62</u>	<u>(27 056 38)</u>
Excess (deficiency) of revenues over expenditures	<u>(31 500 00)</u>	<u>(31 500 00)</u>	<u>34 802 74</u>	<u>66 302 74</u>
Other financing sources (uses):				
Operating transfers in	<u>30 000 00</u>	<u>30 000 00</u>	<u>36 160 00</u>	<u>6 160 00</u>
Total other financing sources (uses)	<u>30 000 00</u>	<u>30 000 00</u>	<u>36 160 00</u>	<u>6 160 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(1 500 00)</u>	<u>(1 500 00)</u>	<u>70 962 74</u>	<u>72 462 74</u>
Fund balance, April 1	<u>253 399 30</u>	<u>253 399 30</u>	<u>343 157 41</u>	<u>89 758 11</u>
Fund Balance, March 31	<u>251 899 30</u>	<u>251 899 30</u>	<u>414 120 15</u>	<u>162 220 85</u>

TOWNSHIP OF BOWNE
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	33 000 00	33 000 00	39 684 70	6 684 70
Interest	2 000 00	2 000 00	3 276 76	1 276 76
Rent	<u>7 500 00</u>	<u>7 500 00</u>	<u>5 472 00</u>	<u>(2 028 00)</u>
Total revenues	<u>42 500 00</u>	<u>42 500 00</u>	<u>48 433 46</u>	<u>5 933 46</u>
Expenditures:				
Public works:				
Downtown development	<u>229 215 00</u>	<u>229 215 00</u>	<u>24 952 20</u>	<u>(204 262 80)</u>
Total expenditures	<u>229 215 00</u>	<u>229 215 00</u>	<u>24 952 20</u>	<u>(204 262 80)</u>
Excess (deficiency) of revenues over expenditures	(186 715 00)	(186 715 00)	23 481 26	210 196 26
Fund balance, April 1	<u>339 800 00</u>	<u>339 800 00</u>	<u>340 100 46</u>	<u>300 46</u>
Fund Balance, March 31	<u><u>153 085 00</u></u>	<u><u>153 085 00</u></u>	<u><u>363 581 72</u></u>	<u><u>210 496 72</u></u>

TOWNSHIP OF BOWNE
Kent County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>28 854 79</u>	<u>2 889 009 65</u>	<u>2 904 450 22</u>	<u>13 414 22</u>
<u>Liabilities</u>				
Due to other funds	28 854 79	311 948 37	327 388 94	13 414 22
Due to others	<u>-</u>	<u>2 577 061 28</u>	<u>2 577 061 28</u>	<u>-</u>
Total Liabilities	<u>28 854 79</u>	<u>2 889 009 65</u>	<u>2 904 450 22</u>	<u>13 414 22</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>55 188 18</u>	<u>55 188 18</u>	<u>-</u>
<u>Liabilities</u>				
Due to others	<u>-</u>	<u>55 188 18</u>	<u>55 188 18</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>55 188 18</u>	<u>55 188 18</u>	<u>-</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>28 854 79</u>	<u>2 944 197 83</u>	<u>2 959 638 40</u>	<u>13 414 22</u>
<u>Liabilities</u>				
Due to other funds	28 854 79	311 948 37	327 388 94	13 414 22
Due to others	<u>-</u>	<u>2 632 249 46</u>	<u>2 632 249 46</u>	<u>-</u>
Total Liabilities	<u>28 854 79</u>	<u>2 944 197 83</u>	<u>2 959 638 40</u>	<u>13 414 22</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA
KENNETH P. KUSTERER, CPA

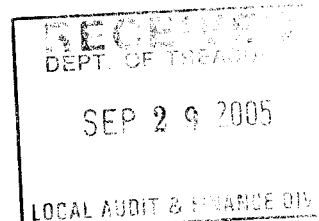
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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 18, 2005

To the Township Board
Township of Bowne
Kent County, Michigan



We have audited the financial statements of the Township of Bowne for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bowne in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Bowne
Kent County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Bowne began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Bowne
Kent County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants